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SUBJECT: GAZPROM SAYS PUTIN-TYMOSHENKO "AGREEMENT" JUST
POLITICAL STATEMENT

REF: A. MOSCOW 971

[1](#)B. ASHGABAT 462

Sensitive but unclassified. Please protect accordingly. Not
for internet distribution.

NO "AGREEMENT," JUST A STATEMENT

[1](#)1. (SBU) According to press reports quoting unnamed sources,
PM Putin and Ukrainian PM Tymoshenko reached an agreement in
their meeting in Poland that Russia would allow Ukraine to
buy less gas than it has contracted in exchange for lower
transit fees and contracts for Russian nuclear energy
companies. Official statements from the GOR, however, were
far more vague, with Putin's website only posting
Tymoshenko's public statement that "we have resolved all the
problems on the issue of gas supplies," along with Putin's
even more general statements regarding the importance of the
constructive bilateral relationship.

[1](#)2. (SBU) Gazprom's Director of Foreign Relations, Ivan
Zolotov, told us September 2 that the reported "agreement"
between PM Putin and Ukrainian PM Tymoshenko is "just a
verbal political-level statement of support" for a decision
that Gazprom had already made. He said there was no formal
agreement between the two leaders. Zolotov said Gazprom had
already decided long ago that it would not enforce the
take-or-pay clause in the January contract with Ukraine's
NaftoHaz. He said that although Ukraine has taken far less
gas than the volumes for which it had contracted, Gazprom
would not impose multi-billion dollar fines to which it is
legally entitled. "Given the current economic situation in
Ukraine," he explained, "we made this decision to help avert
another crisis." As for press reports of lower future
transit fees for Gazprom, Zolotov simply said "the issues
are, of course, interconnected; there is always give and take
in negotiations." He added, however, that this issue is
still under negotiation and that the two sides have not yet
reached a firm agreement.

[1](#)3. (SBU) Zolotov noted Gazprom's concern that allowing
Ukraine to renege on its commitments could threaten Gazprom's
take-or-pay contracts with its other customers, with whom, he
added, the company is also "in negotiations." He admitted,

however, that renegotiating with Ukraine helps Gazprom in its discussions with Turkmenistan. In response to a lack of demand and high prices for Turkmen gas, Gazprom stopped taking gas deliveries from Turkmenistan in April following (or some say causing) an explosion along the pipeline route linking the two countries (reftels).

COMMENT

14. (SBU) Although Gazprom and GOR officials have sometimes referred to the idea that Ukraine would have to pay fines for breach of its take-or-pay contracts, they have also said privately and publicly that they would give Ukraine a pass. Given the collapse of demand for gas as a result of economic crisis and the competition from LNG and other sources, Gazprom, as Zolotov admitted, will have to demonstrate flexibility with its contracts with many of its customers. In this instance, however, the political backdrop of Ukrainian elections is perhaps even more important than the gas trade itself. Avoiding a new gas war with Ukraine and demonstrating goodwill should help shore up Russia's standing and influence among the Ukrainian population. The "agreement" on gas, even if only a "political statement," coupled with the agreeable exchange between Putin and Tymoshenko (in contrast to the recent vitriol between the Presidents), could also appear as a signal of Moscow's tacit support for Tymoshenko. End comment.
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